MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BIT 3104 – INTERNATIONAL TRADE AND POLICY

(All sections / Groups)

10 OCTOBER 2015
2.30PM-4.30PM
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 5 Questions only.

2. Attempt **ALL** questions in Section A. Attempt any **TWO** questions in Section B. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please print all your answers in the Answer Booklet provided.

Section A Attempt all questions

SEOUL (Reuters) - China and South Korea signed on Monday a deal to slash trade barriers between them, including tariffs on goods produced in a North Korean factory park run jointly with the South, South Korea's Trade Ministry said.

In all, 310 products made at the Kaesong industrial zone, just north of the border between North and South Korea, will benefit from the free-trade agreement. Many South Korean factories have set up operations in Kaesong to take advantage of cheap North Korean labour. Most of the products covered by the trade pact are clothing and electrical components.

China and South Korea spent three years negotiating their free trade agreement. Products made at Kaesong were not included in tariff cuts under South Korea's free trade agreements with the United States and the European Union. Woo Tae-hee, South Korea's assistant minister for trade and chief free-trade negotiator, said it was hoped the agreement with China would lead to more industrial zones like Kaesong along the border with North Korea.

"We think this can contribute to the peace of the Korean peninsula," Woo told reporters after the signing ceremony. China and South Korea normalised diplomatic relations in 1992 and bilateral trade grew 37-fold to $235.4 billion (£154.55 billion) in 2014 from $6.4 billion in 1992, South Korean data shows.

The deal does not include rice and automobiles, areas where South Korea was worried about Chinese goods flooding its market. China is the world's largest exporter and also South Korea's biggest trading partner. South Korea is one of the few developed countries that runs a surplus with China - to the tune of $55 billion in 2014 according to Seoul - thanks to exports of cars, smartphones, flat screen TVs, semiconductors and petrochemicals.

The two Koreas remain technically at war after their 1950-53 war ended in a truce. China is involved in six-country talks that include the United States, aimed at easing tension over the North's nuclear ambitions.

The talks have been stalled since 2008.

Source : The Star (2015) Some North Korea-made goods to benefit from South Korea pact with China

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1. Evaluate the article from Malaysia's point of view, illustrate with examples, **FIVE** (5) benefits from this free trade pact?

(25 marks)

2. How would this affect the world trade? Provide **FIVE** (5) justifications.

(25 marks)

Section B Attempt any TWO questions

3. India's food safety regulator has banned Nestle from making and selling its hugely popular Maggi instant noodles, calling them "unsafe" and "hazardous" after tests found they contained excessive lead (The Daily Star 2015). Suggest and justify the plan for Nestle to avoid such situations from happening in future. Provide **FIVE** (5) justifications for the plan.

(25 marks)

4. ASEAN is heading in the right direction in forming the Asean Economic Community (AEC) by year-end as it would provide a massive marketplace for companies looking for better growth in the region, a banker said. "It is not easy to get all the 10 Asean member states to agree to every detail of the law. It has to be relevant, apart from understanding how forming this union is going to benefit their own population and interest (NST 2015). Explain with examples, **FIVE** (5) benefits of this formation.

(25 marks)

5. Clauses are very important in an international sales contract. One of clause, "Force majeure" has important implications as it excuses the liability of a party because of "uncontrollable outside events". However, there are also events that "force majeure" does not cover. Identify and explain with examples, **FIVE** (5) such events. .

(25 marks)

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